



Housing Development Corporation Ltd. Sustainability Bond Framework

1. Introduction

1.1 Company overview

The Housing Development Corporation Limited (“HDC”) is a 100% government-owned enterprise in the Republic of Maldives, and serves as the master developer, builder and regulator for the development of Hulhumalé, a planned city situated in the capital region of the Maldives.

HDC’s key business objective is to develop Hulhumalé into a unique island city and a diversified community, by creating new residential, commercial and industrial areas and infrastructure development, which, in turn, is intended to relieve urban congestion in Malé, the capital city of the Maldives. Hulhumalé has also been designed to withstand the threat of rising sea levels. Hulhumalé is located on a 428 hectare reclaimed island in the Hulhulé–Farukolhufushi Lagoon in the North Malé Atoll and was officially inaugurated in May 2004

Following the completion of the Greater Male’ Industrial Zone Ltd (“GMIZL”) Merger in September 2020, HDC’s mandate has been expanded to include responsibility for managing the development of Gulhifalhu and Thilafushi, two adjacent industrial islands located approximately 6 kilometers and 7 kilometers, respectively, to the west of Malé. The intention was to manage the development of Hulhumalé, Gulhifalhu and Thilafushi under one corporate group in order to maximize operational efficiencies.

HDC plays three key roles in fostering the development of the Greater Malé region:

- firstly, HDC acts as a master developer, delivering the vision, inspiration and imagination of Hulhumalé, Thilafushi and Gulhifalhu, in a feasible and commercially viable manner;
- secondly, HDC is a builder, investing in the infrastructure necessary for quality living and business prosperity in Hulhumalé, Thilafushi and Gulhifalhu, including roads, landscaping, utilities and other essential services; and
- thirdly, HDC acts as regulator, overseeing detailed planning, architectural guidelines and building regulations in Hulhumalé, Thilafushi and Gulhifalhu

HDC derives substantially all of its revenue from two sources: (i) the sale of properties; and (ii) the lease of land and developed property in Hulhumalé as well as lease of industrial land in Thilafushi and Gulhifalhu. HDC’s development projects in Hulhumalé, Thilafushi and Gulhifalhu comprise residential, commercial and industrial development projects, along with essential infrastructure and complementary features, such as tourist attractions and recreational facilities. Its current business model aims to diversify the business towards developing an asset base that will generate steady rental streams in each of our business segments in the future. HDC also provide non-core services, such as building maintenance and municipal services.

HDC is currently developing the masterplans for Thilafushi and Gulhifalhu to be finalized by 2Q 2021.

1.2 HDC’s Sustainability Objectives

HDC’s sustainability objectives are modeled after United Nations’ Sustainable Development Goals (“SDG”) (<https://www.mv.undp.org/content/maldives/en/home/sustainable-development-goals.html>), which are integrated development goals that balances social, economic and environmental sustainability.

Sustainable Development Goals	Description
1. No poverty	End poverty in all its forms everywhere
2. Zero hunger	End hunger, achieve food security and improved nutrition, and promote sustainable agriculture
3. Good health and well being	Ensure healthy lives and promote well-being for all at all ages
4. Quality education	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
5. Gender equality	Achieve gender equality and empower all women and girls

6. Clean water and sanitation	Ensure availability and sustainable management of water and sanitation for all
7. Affordable and clean energy	Ensure access to affordable, reliable, sustainable and modern energy for all
8. Decent work and economic growth	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
9. Industry, innovation and infrastructure	Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation
10. Reduced inequality	Reduce income inequality within and among countries
11. Sustainable cities and communities	Make cities and human settlements inclusive, safe, resilient, and sustainable
12. Responsible consumption and production	Ensure sustainable consumption and production patterns
13. Climate action	Take urgent action to combat climate change and its impacts by regulating emissions and promoting developments in renewable energy
14. Life below water	Conserve and sustainably use the oceans, seas and marine resources for sustainable development
15. Life on land	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss"
16. Peace and justice strong institutions	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
17. Partnership for the goals	Strengthen the means of implementation and revitalize the global partnership for sustainable development

HDC's mission is to be a Pioneer in establishing higher standards of living through intelligent, innovative and sustainable developments in the Maldives. Its operations is guided by 5 fundamental pillars:

- i. Economic drivers and creation of catalyst projects
- ii. Regulatory body promoting institutional frameworks
- iii. Establishing catalyst for hard and soft infrastructure
- iv. Development of a consonant community and socio-economic equity
- v. Green initiative

1.3 Rationale for the Sustainability Bonds

HDC is convinced that Sustainability Bonds are an effective tool to channel liquidity into assets which have environmental and social benefits and thereby contribute to the achievement of the SDGs.

HDC currently follows Environmental Protection Agency guidelines and conducts environmental impact assessments for large projects to determine the potential impact.

HDC is also in the process of integrating Building Research Establishment Environmental Assessment Methodology ("BREEAM") standards and incorporating green components into its planning and developmental guidelines. BREEAM involves an assessment undertaken by independent licensed assessors using scientifically-based sustainability metrics and indices which cover a range of environmental issues, such as energy and water use, health and wellbeing, pollution, transport, materials, waste, ecology and management processes.

HDC also aims to implement smart initiatives to ensure the environmental sustainability of Hulhumalé, including energy efficient designs, rain-water harvesting systems, smart waste management solutions and related data collection mechanisms.

HDC has therefore designed this Sustainability Bond Framework (the "Framework") in accordance with the ICMA Green Bond Principles 2018, the ICMA Social Bond Principles 2020, and the ICMA Sustainability Bond Guidelines

	<ul style="list-style-type: none"> - The installation and maintenance of solar charging stations in parking areas for battery bikes/cycles. 	
Energy Efficiency	<p>Measures to increase the efficiency of energy used throughout Hulhumale, including:</p> <ul style="list-style-type: none"> - The installation and maintenance of energy efficient lighting in residential buildings, institutional buildings, and open spaces, achieving a saving in energy consumption of at least 50%; - Infrastructure, equipment, technology and processes related to the implementation of energy efficient deep water source district cooling systems. 	7 – Affordable and Clean Energy
Sustainable Water and Wastewater Management	Expenditures related to rainwater harvesting projects, i.e. capture and storage of rain and storm water, to improve the overall usage and efficiency of water use in Hulhumalé. Desalination plants are explicitly excluded from the Eligible Green Project Category.	6 – Clean Water and Sanitation

Eligible Social Project Categories	Eligible Social Projects	UN SDG mapping
Affordable Housing	Construction of social housing projects for the population of the Maldives, with eligible persons for specific projects determined by a committee formed under the Ministry of National Planning, Housing and Infrastructure. ¹	1 – No Poverty 11 – Sustainable Cities and Communities
Affordable Basic Infrastructure	<p>Construction, installation and maintenance of affordable infrastructure, including:</p> <ul style="list-style-type: none"> - Fire hydrant systems across public spaces for the population of Hulhumalé and Thilafushi; - Public road and bridge infrastructure connecting Hulhumalé and Thilafushi with surrounding islands including Malé, Hulhulé, Villigili and Gulhifalhu to support commercial, industrial and socioeconomic development; - Rollout of Open Access Gigabit Passive Optical Network (GPON) for the population of Hulhumalé. 	1 – No Poverty 11 – Sustainable Cities and Communities
Socioeconomic Advancement and Employment Generation	<p>Projects to support socioeconomic advancement and increase employment for the population of Hulhumalé, including:</p> <ul style="list-style-type: none"> - Development of commercial buildings to support local employment generation and industrial development in Hulhumalé, including museums, exhibition centres, retail locations and warehouse shells; - Vertical farming opportunities on social housing projects to provide solutions for small-scale food producers, increase agricultural productivity, and reduce urban heat effects. 	1 – No Poverty 8 – Decent Work and Economic Growth

2.2 Process for Project Evaluation and Selection

Eligible Projects are based on the land use plans and the development plans of Hulhumalé. Any planned projects and proposals will initially be evaluated by either an internal Bid Evaluation Committee or Proposal Evaluation Committee, each of which is comprised of senior representatives from different internal departments at HDC including Finance, Planning, Estate, and Legal. The analysis and evaluation of prospective projects conducted by the Committees is then shared with the HDC Management Board, comprised of the HOD of each internal department as well as the Managing Director and Deputy Managing Director. Once a decision is made by the

¹ The committee evaluating the public housing schemes publishes their evaluation of eligibility after a physical verification process for assessing the current living conditions of applicants through a points-based system. Eligible population categories for assessment for public housing include (1) Doctors and nurses; (2) Teachers; (3) Single parents; (4) Married people aged 18-40; (5) Male residents; (6) Citizens in Male' Municipality Registry; (7) Persons with disabilities and family; and (8) Civil servants.

Management Board, the evaluation of potential projects is passed to HDC's Board of Directors for the final decision on the project.

Through this process, HDC will ensure that the selected Eligible Projects comply with the Use of Proceeds section outlined in this Framework. HDC commits to monitoring the continued compliance of the Eligible Projects annually throughout the life of any Sustainability Bond issued in relation to this Framework.

A Committee comprising senior staff from internal departments at HDC including Finance, Business Development, Legal, Projects, Strategic Business Unit, Planning as well as the Estate Department will be responsible for monitoring any environmental and social controversies related to the Eligible Projects throughout the life of any bond issued in relation to this Framework. This Committee will also be responsible for managing any future updates to the Framework, including any expansion of the use of proceeds requirements. Any changes to the Framework will be published on HDC's website.

2.3 Management of Proceeds

The proceeds of a Sustainability Bond Issuance will be credited to and tracked through a sub-account dedicated to the Eligible Projects as selected by the process described in Section 2.2. This process will be in accordance with this Framework.

All relevant information regarding the issuance of the Sustainability Bond and Eligible Projects financed and/or refinanced will be monitored and kept in HDC's reporting systems. The balance of the tracked proceeds should be adjusted monthly, in order to match the allocations to Eligible Projects.

HDC commits to allocate all proceeds from the Sustainability Bond issuance to Eligible Projects within one year of the Sustainability Bond issuance in accordance with the evaluation and selection process presented above.

HDC will monitor the allocation to Eligible Projects and track the net proceeds through its internal accounting system. This will include the periodic adjustment of the balance of the tracked proceeds to match the allocation. Pending the allocation to Eligible Projects, unallocated proceeds may temporarily be invested in accordance with HDC's investment guidelines in cash, deposits and money market instruments.

During the life of the issued Sustainability Bond, if the designated Projects cease to fulfil the Eligibility Criteria, the net proceeds will be re-allocated to replacement Projects that comply with the Eligibility Criteria, as soon as reasonably practicable.

2.4 Reporting

After any issuance of Sustainable Bonds, HDC intends to produce annually and at least until the full allocation of the net proceeds of the issuance an External Report that will include (i) an Allocation Report and (ii) an Impact Report, subject to the availability of suitable information and data. This reporting will be done on a project level basis. Where impact data is reported, details of the methodology applied in compiling the data will be provided as well. The External Report will be made publically available and published on HDC's website under the section for announcements related to the issuance of the bond.

Allocation Report

The allocation reporting within the External Report will include:

- A list of eligible assets and projects financed or refinanced;
- The amount allocated to Eligible Projects as defined in this Framework;
- The proportion of proceeds used for financing versus refinancing;
- The % of co-financing for Eligible Projects
- The balance of any unallocated proceeds at the reporting end-period (if any); and,
- The types of placements and uses for temporary unallocated funds

Impact Report

Where feasible, HDC intends to report on relevant environmental and social indicators and metrics associated with the Eligible Project Categories and Eligible Projects. Such indicators may include, but are not limited to:

Eligible Project Category	Outputs and Outcomes	Impact Indicators
Green Buildings	Building certifications (scheme and rating achieved)	
Renewable Energy	The number of solar charging stations installed	Annual CO ² emissions reduction
Energy Efficiency	Energy consumption (kWh) and/or intensity (kWh/m ²)	Reduced energy consumption (in kWh or %)
Sustainable Water and Wastewater Management	Water consumption (m ³) and/or intensity (m ³ /m ²) Volume of rainwater harvested (m ³)	Reduced water consumption (in m ³ or %)
Affordable Housing	The number of social housing projects completed	Number of people who benefitted from the provision of affordable housing
Affordable Basic Infrastructure	The number of fire hydrant systems installed	The increase in Open Access GPON coverage by number of households reached
Socioeconomic Advancement and Employment Generation	The number of people provided with new job opportunities or self-sufficiency for the agricultural harvest	The number of people who benefitted from the Eligible Projects

The calculation methodologies and assumptions used for the relevant environmental and social indicators will be disclosed in our impact reporting as part of our External Report. HDC will also report on any material developments related to the projects, including any ESG controversies and issues.

2.5 External review

Second Party Opinion

V.E. was appointed as an independent third party to provide assurance on HDC's Sustainability Bond Framework and its alignment with ICMA Principles. The Second Party Opinion from V.E. will be made available alongside this Framework on HDC's website under the section for announcements related to the issuance of the bond.

Post issuance verification

The tracking and allocation of funds post issuance will be verified both internally by HDC and by an independent external third party auditor until full allocation and in case of any material changes. HDC commits to an external verification of the indicators and data used to report on environmental and social benefits of the Eligible Projects.

In addition, HDC commits to having an external review to confirm the alignment of its Sustainability Bond issuance with the ICMA Principles on an annual basis.